

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 585 - SB 793

February 28, 2013

SUMMARY OF BILL: Exempts ambulance services rendered by publicly or privately owned entities from the business tax.

ESTIMATED FISCAL IMPACT:

**Decrease State Revenue – \$39,400/General Fund
\$1,000/Department of Revenue**

Decrease Local Revenue – \$57,200

Assumptions:


- Based on information provided by the Department of Revenue (DOR), and data from U.S. Census Bureau and IBIS World Market research reports, taxable ambulance services in the U.S. are estimated to be \$10,114,750,308.
- According to the U.S. Census Bureau, the estimated population in Tennessee in 2012 was 6,456,243; the estimated population for the United States was 313,914,040. Therefore, the population in Tennessee is approximately 2.06 percent of the national population ($6,456,243 / 313,914,040$).
- Tennessee accounts for 2.06 percent of national taxable ambulance services, the equivalent of \$208,363,856 in statewide services ($\$10,114,750,308 \times 2.06\%$).
- Based on national data, 75 percent of such services, or \$156,272,892 ($\$208,363,856 \times 75.0\%$), are estimated to be exempt from the state business tax under current law.
- Ambulance services taxable under Tennessee's business tax are estimated to be \$52,090,964 ($\$208,363,856 - \$156,272,892$). This number is assumed to remain constant into perpetuity.
- Pursuant to Tenn. Code Ann. § 67-4-709(3), the business tax is a 0.1875% tax on all sales by a retailer for Classification 3 retailers.
- The recurring decrease in revenue is estimated to be \$97,671 ($\$52,090,964 \times 0.1875\%$).
- Pursuant to Tenn. Code Ann. § 67-4-724(a)(3), five percent of the proceeds are distributed to the county clerk or appropriate city officials.
- The recurring decrease in local government revenue is estimated to be \$4,884 ($\$97,671 \times 5.0\%$).

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- Pursuant to Tenn. Code Ann. § 67-4-724(a)(4), 57 percent of the remaining proceeds are distributed to the local government, and 43 percent to the General Fund, after a fee of 1.125 percent, pursuant to Tenn. Code Ann. § 67-6-710(b)(2), has been remitted to DOR.
- The recurring decrease in revenue remitted to DOR is estimated to be \$1,044 $[(\$97,671 - \$4,884) \times 1.125\%]$.
- The total recurring decrease in local government revenue is estimated to be \$57,177 $\{ \$4,884 + [(\$97,671 - \$4,884 - \$1,044) \times 57.0\%] \}$.
- The recurring decrease in state government revenue to the General Fund is estimated to be \$39,449 $[(\$97,671 - \$4,884 - \$1,044) \times 43.0\%]$.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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